

**MARTIN STARNES &
ASSOCIATES, CPAs, P.A.**

Paula Hodges, Audit Manager

CATAWBA COUNTY, NC

12-05-05

Audit Results

- Compliance – Management letter
- Unqualified opinion
- Unreserved fund balance \$23,648,612
- Increase in fund balance for 2005= \$4,751,064
- Unreserved fund balance is 16.1 % of general fund expenditures
- Financial Condition

Fiscal Year 2004-05 Financial Report



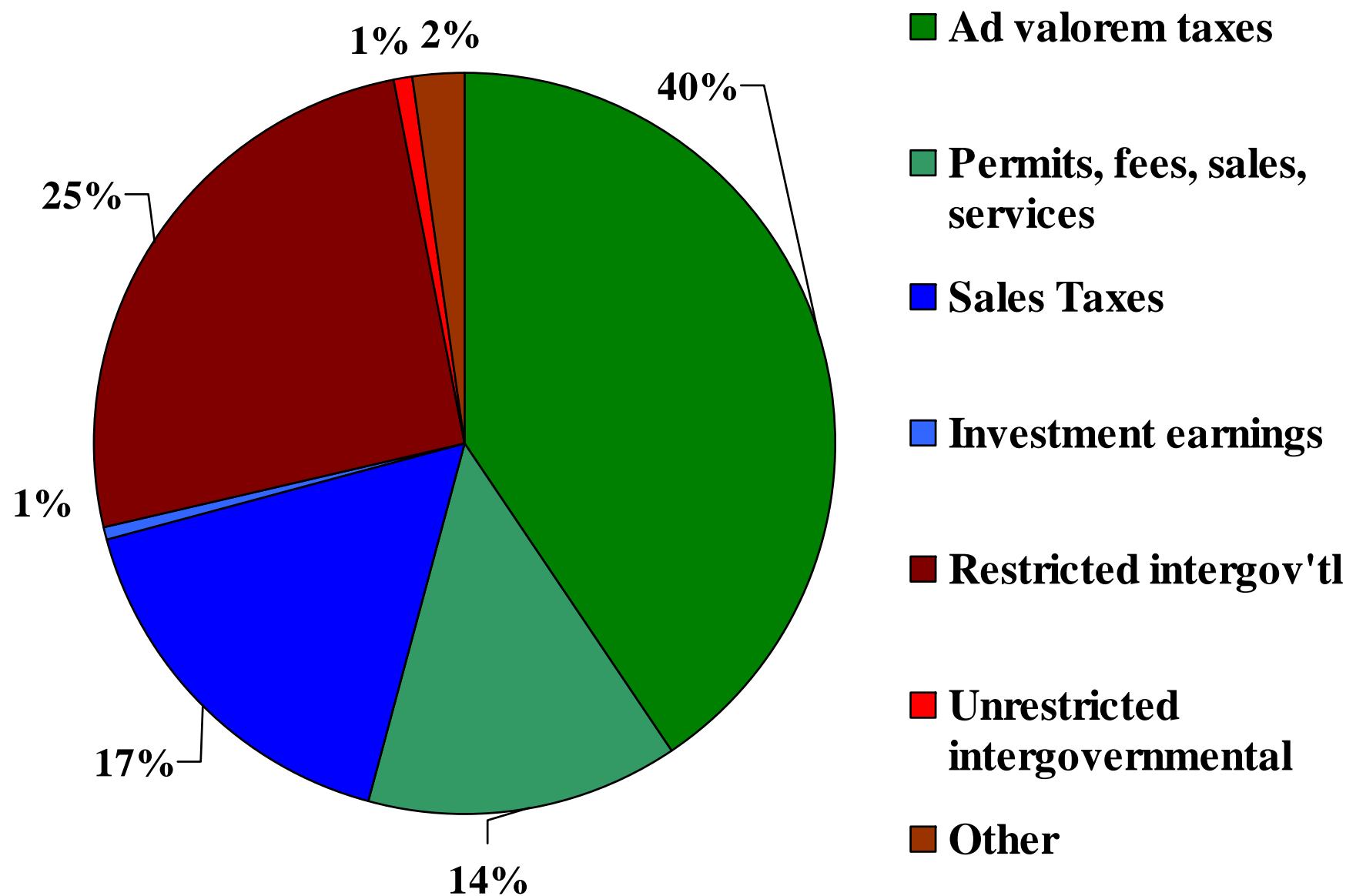
Rodney N. Miller
Finance Director

Year-End Analysis

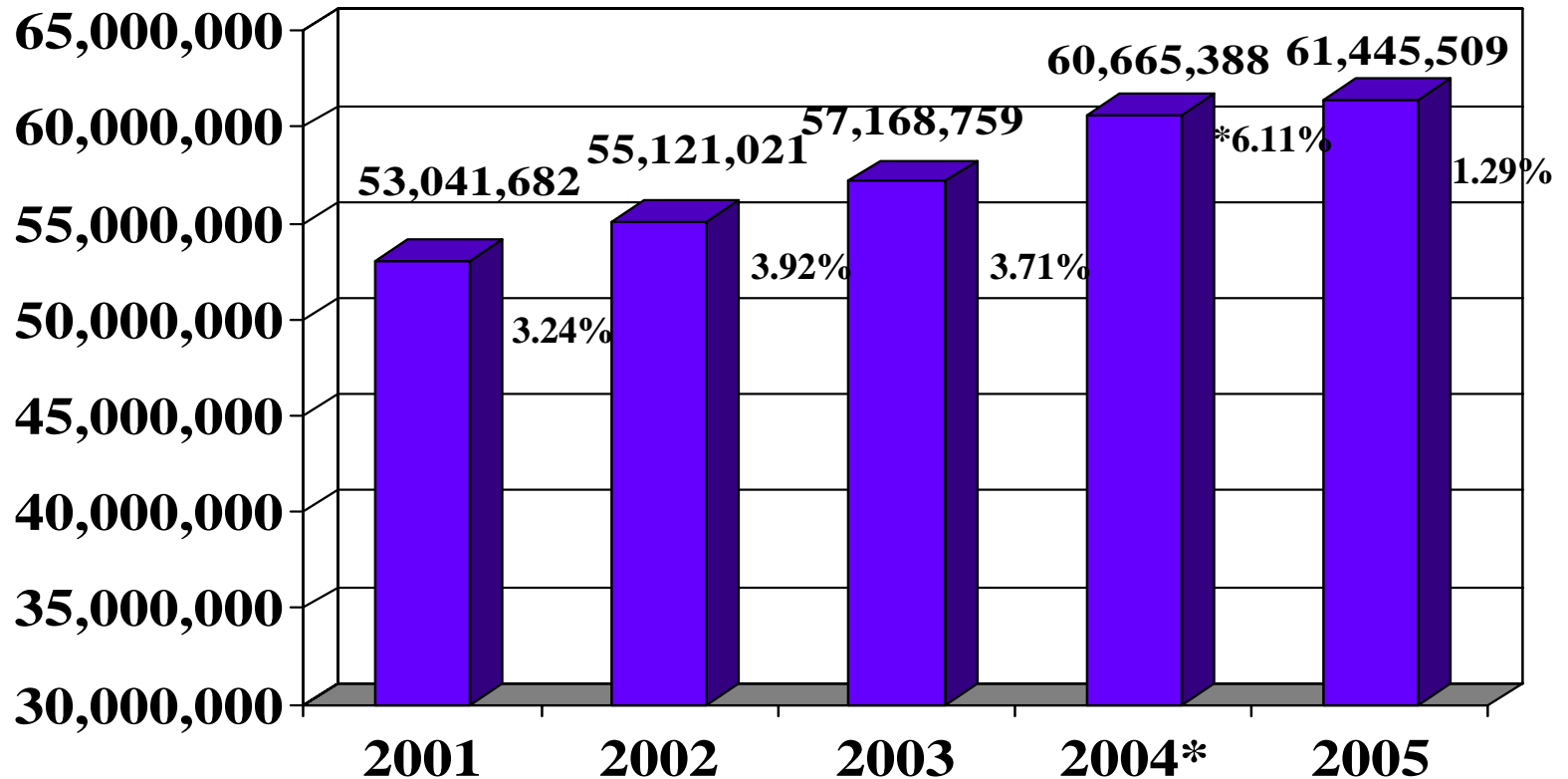
	<u>2005</u>	<u>2004</u>
General Fund Revenues	\$151,506,658	\$143,309,151
General Fund Expenditures	<u>\$146,755,594</u>	<u>\$143,611,598</u>
Increase(decrease in fund bal.)	\$4,751,064	(\$302,447)
Prior-period Adjustment-Sales Tax		<u>\$1,273,277</u>
Net affect on Fund Balance		\$ 970,830

- Revenues increased by 5.7% from 2004
- Expenditures increased by 2.2% from 2004

General Fund Revenues – Actual 2005



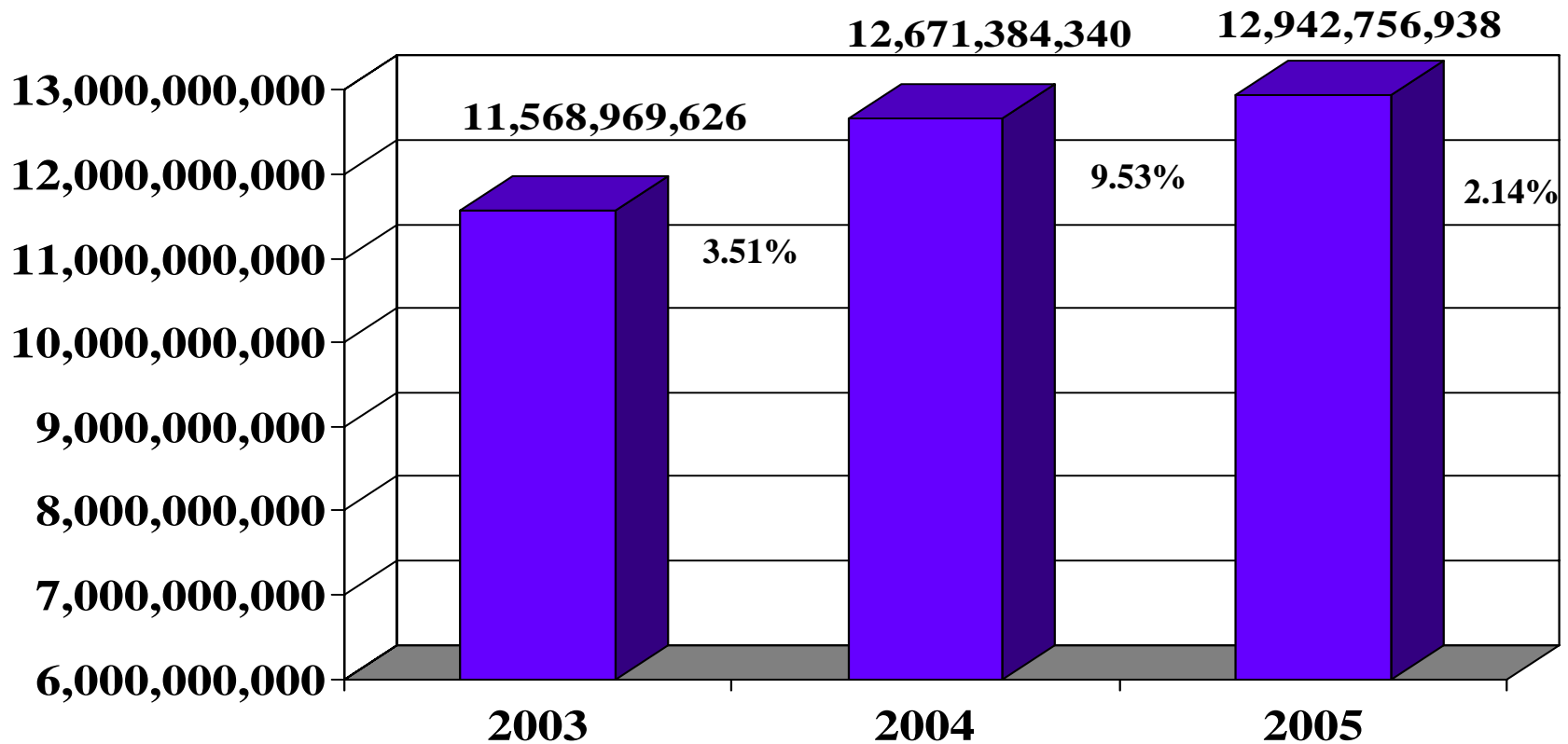
Property Tax Revenues



- Revenue growth continues to lag behind averages of 3%-4%; prior year collections remain strong

*2004-Revenue neutral plus 2-1/2 cents for school and jail const.

Property Tax Base History



- Projected increases of 1.6% in FY 2005 and .7% in FY 2006
- Revaluation in FY 2004

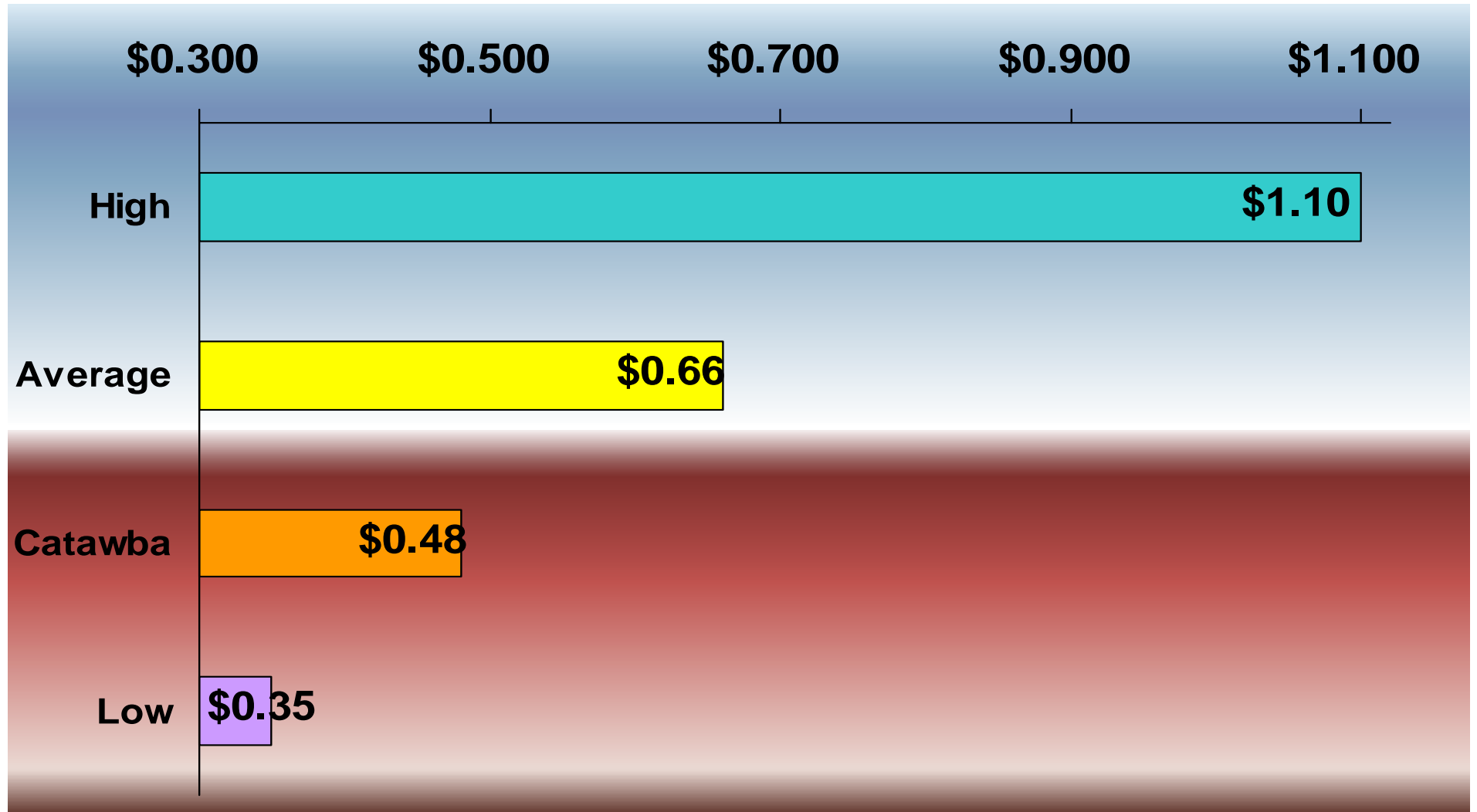
Top Ten Taxpayers – 2005

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total</u>	<u>Last Yrs. Ranking</u>
Duke Energy Corp.	\$356,728,514	2.76%	1st
CommScope, Inc.	151,697,472	1.18%	3rd
Corning Cable Systems	106,234,298	.82%	2nd
Alcatel N.A. Inc.	97,661,411	.76%	4th
Getrag Gears	77,537,250	.60%	5th
AMIREIT/Frye Regional Medical	64,164,211	.50%	7th
Hickory Springs	59,311,485	.46%	8th
Central Telephone Company	54,549,996	.43%	6th
Shuford Mills/Shurtape	49,967,394	.39%	9th
Valley Hills Mall	<u>48,198,940</u>	<u>.38%</u>	10th
Total	\$1,066,050,971	8.28%	

Top Ten Taxpayers - 2004

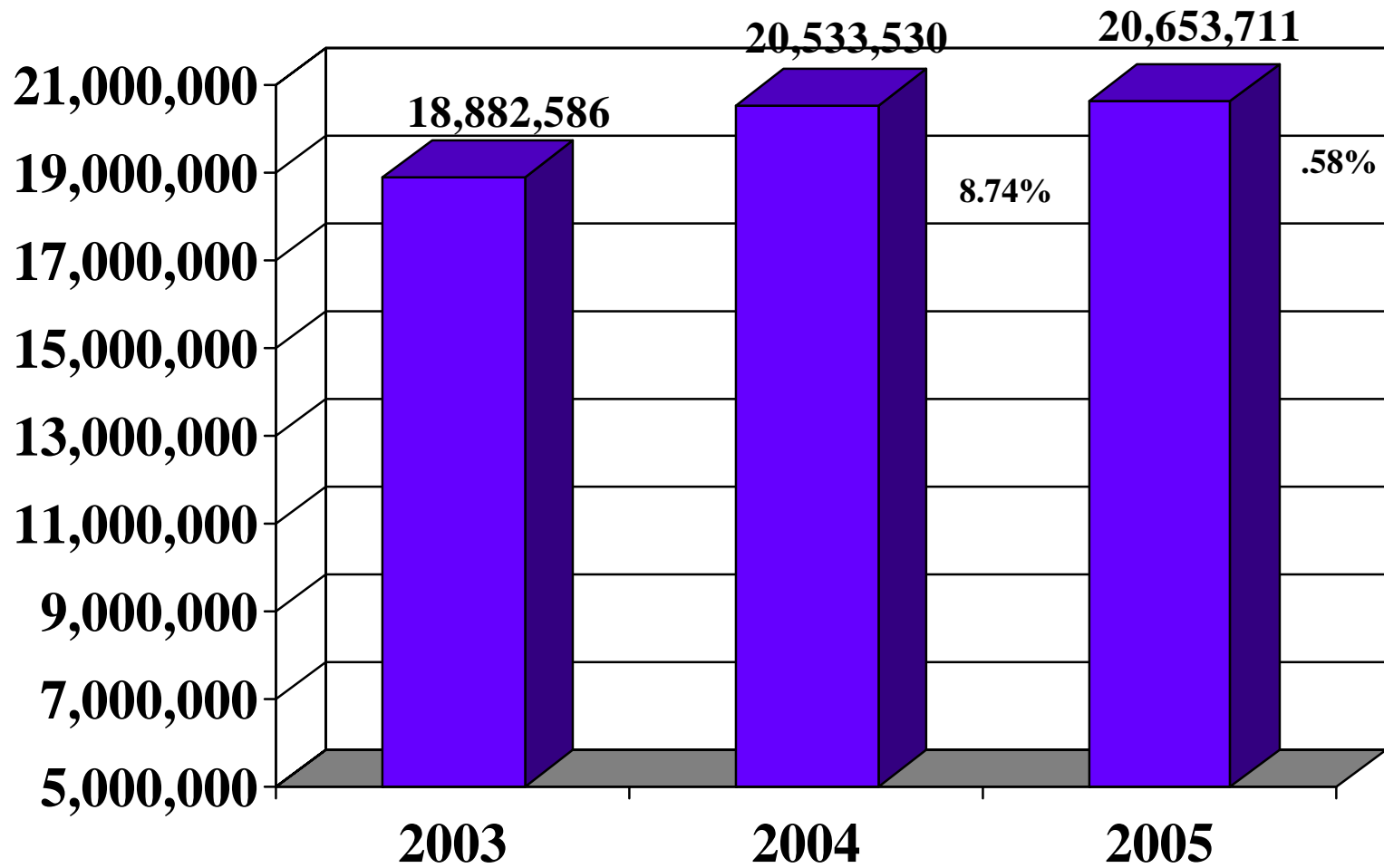
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total</u>	<u>Last Yrs. Ranking</u>
Duke Energy Corp.	\$351,926,672	2.78%	1st
Corning Cable Systems	169,437,499	1.34%	2nd
CommScope, Inc.	149,736,462	1.18%	4th
Alcatel N.A. Inc.	115,250,655	.91%	3rd
Getrag Gears	58,217,630	.46%	8th
Central Telephone Company	56,223,806	.44%	5th
AMIREIT/Frye Regional Medical	56,146,587	.44%	7th
Hickory Springs	55,345,585	.44%	10th
Shuford Mills/Shurtape	53,329,984	.42%	6th
Valley Hills Mall	<u>48,239,860</u>	<u>.38%</u>	9th
Total	\$1,113,854,740	8.79%	

2004-05 Tax Rate NC Counties



2nd Lowest among 23 Urban (>100,000 population) Counties
11th Lowest out of 100 Counties in NC

Permits/Fees/Sales/Services

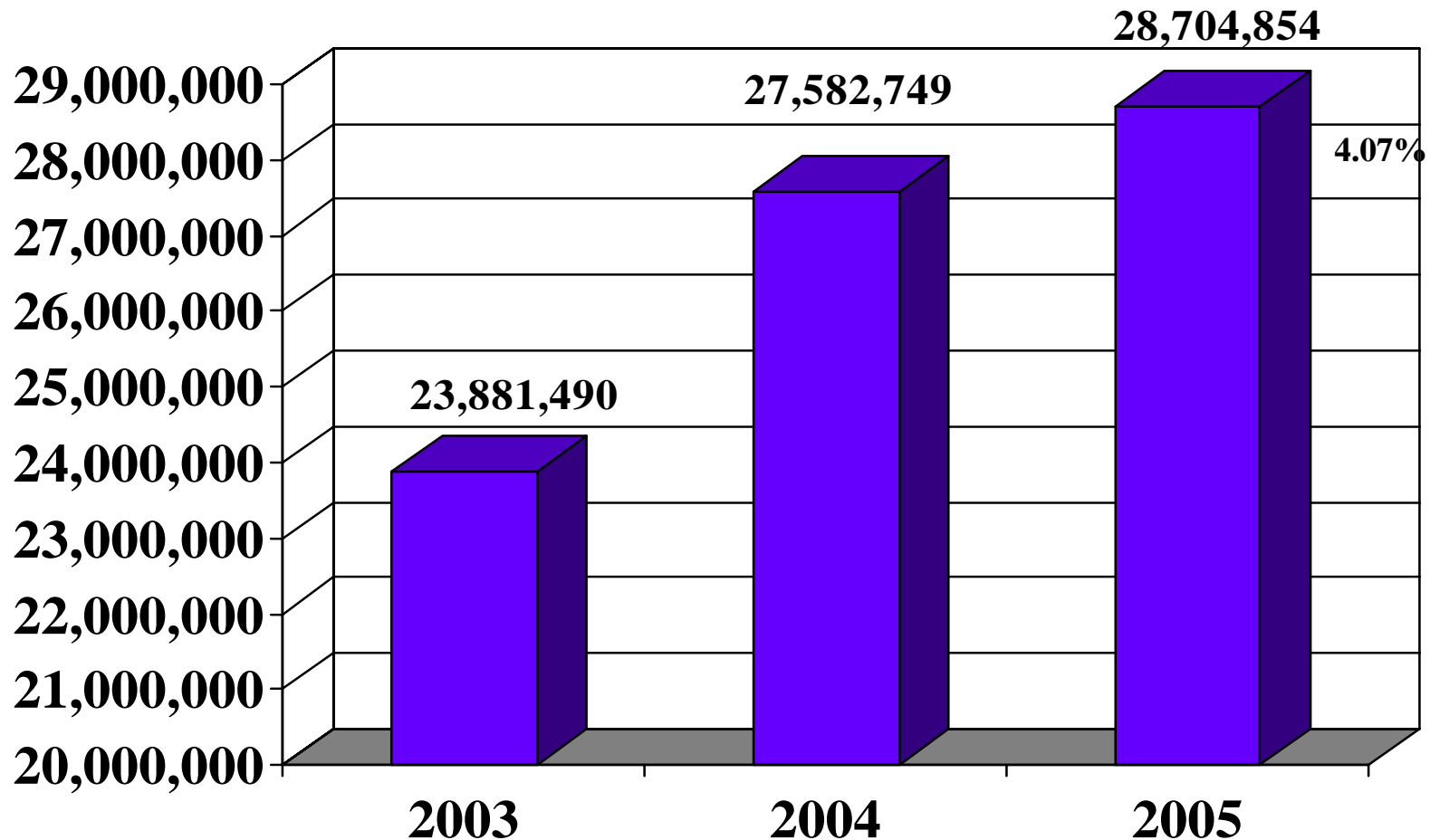


Permits/Fees/Sales/Services

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Register of Deeds	1,007,492	964,893	809,324
Building Permits	866,714	1,470,216	1,951,102
Ambulance Charges	2,306,012	2,255,617	2,822,297
Medicaid Fees	3,958,569	3,368,990	1,220,503
Home Health/3 rd Party	2,192,592	2,381,467	2,463,965
Medicaid Contracts	5,050,878	6,762,277	8,257,469
Other	<u>3,500,329</u>	<u>3,330,070</u>	<u>3,129,051</u>
Totals	18,882,586	20,533,530	20,653,711

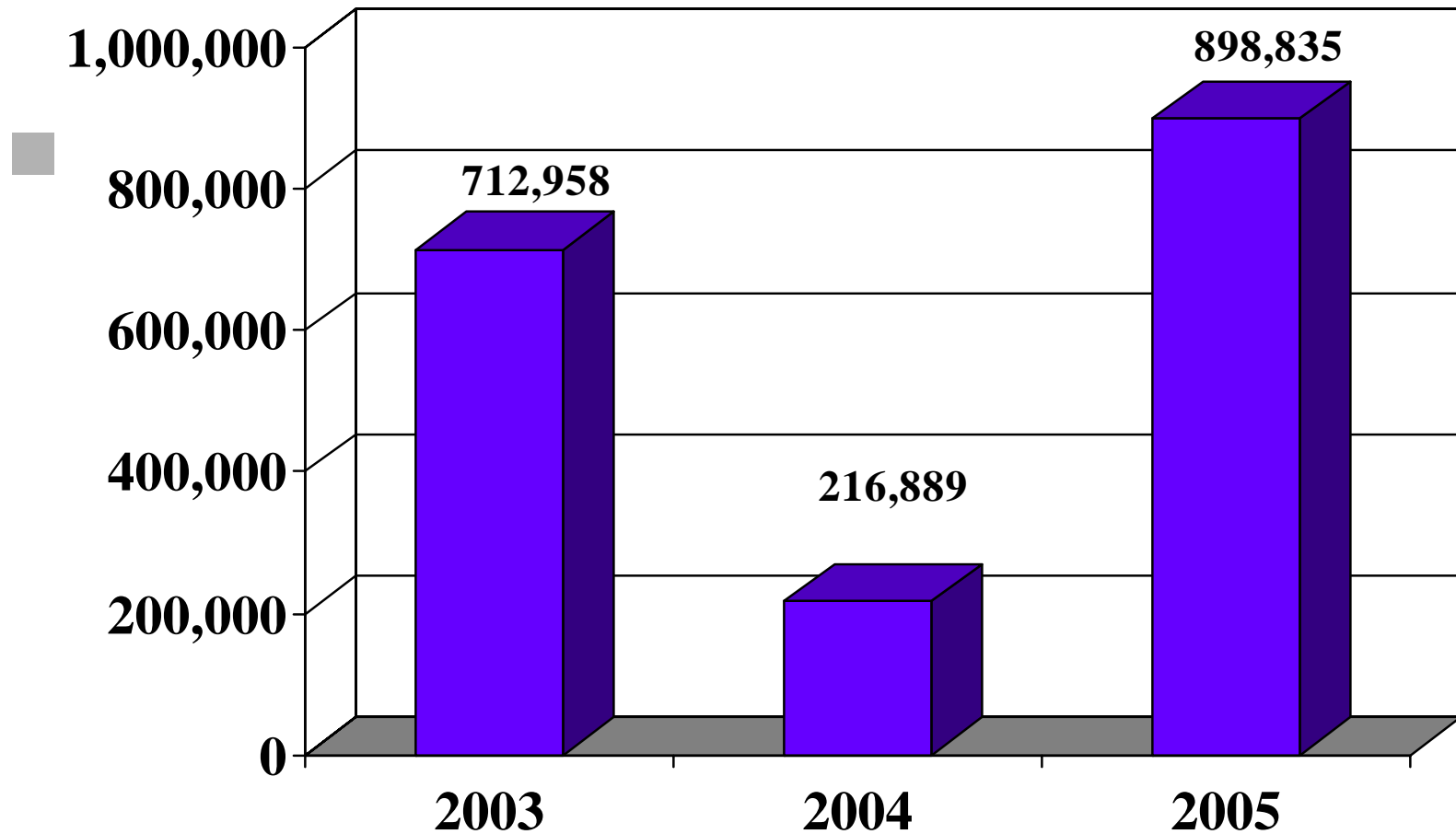
- Building permit revenues increased by 32.7%/69.6% last two years
- Ambulance revenues increased 25.1%, which includes the final Medicare fee schedule adjustment on April 1st, 2004
- Mental Health divestiture resulting in a decrease in direct dollars and an increase in contract dollars

Sales Taxes



- 3rd ½ cent – effective Dec. 2002, first full year in FY 2004
- Additional \$5.3 million in FY 05, which offsets a loss of \$4.2 million in inventory/intangibles reimbursements repealed in FY 2003

Investment Earnings



- Avg. yield @ 6/30 = 2.75% 2.87% 3.63%
- General Fund Investments = \$33m,
- GASB 31 Adjustment of (\$700k) in 2004, \$100k in 2005

General Obligation (G.O.) Bond Refunding

Interest rates dropped to their lowest levels in 45 years in FY 2003:

- On December 10 2002, County refunded \$14,495,000 of 1991, 1993 & 1994 General Obligation Bonds
- NPV savings of \$748,267 over 12 years

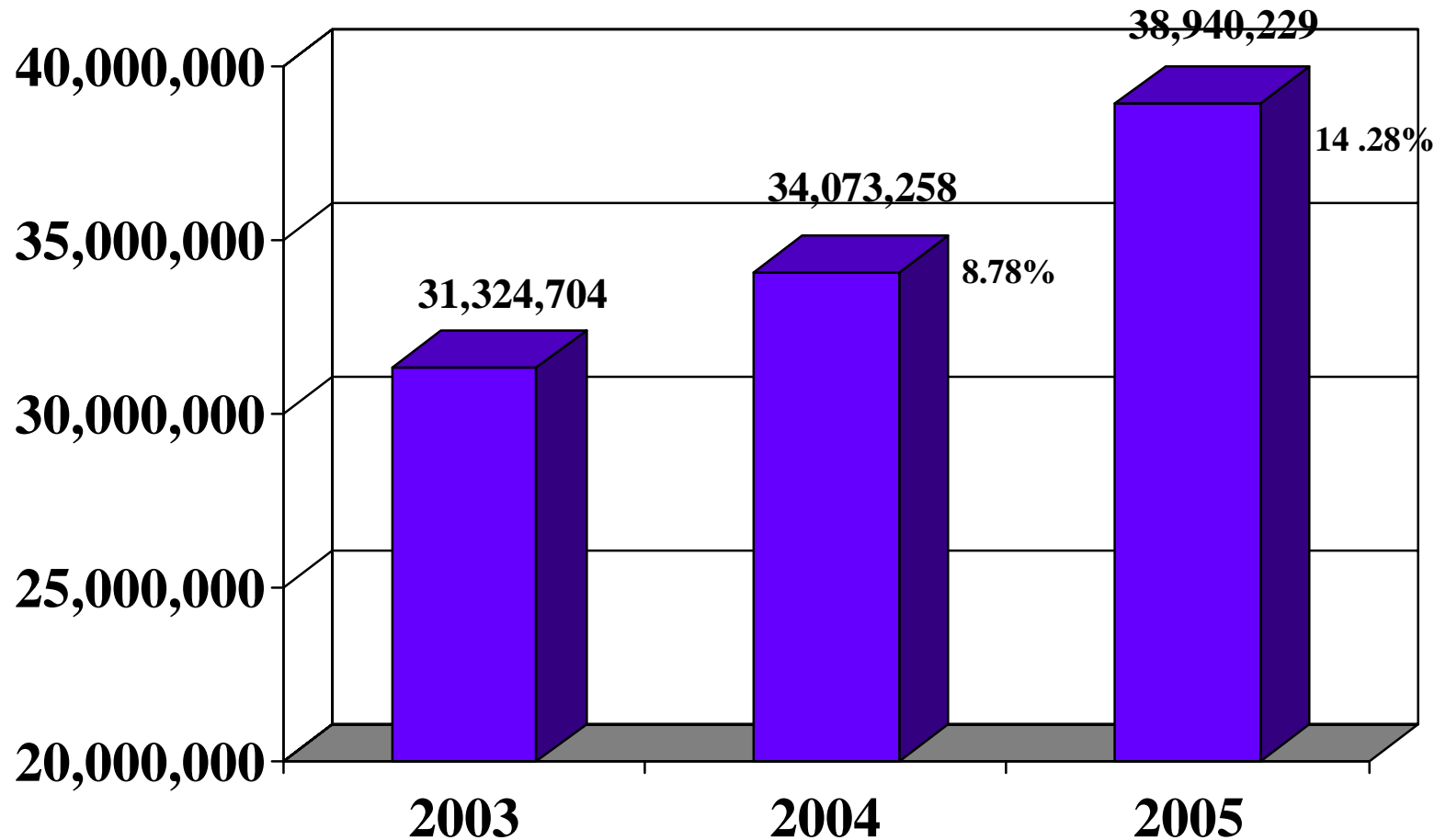
Since then, long-term rates have increased only slightly, while short-term rates significantly:

- On June 1 2005, County refunded \$15,455,000 of 1995, 1996, 1997 & 2000 General Obligation Bonds
- NPV savings of \$529,616 over 10 years

Total County Investments-All Funds

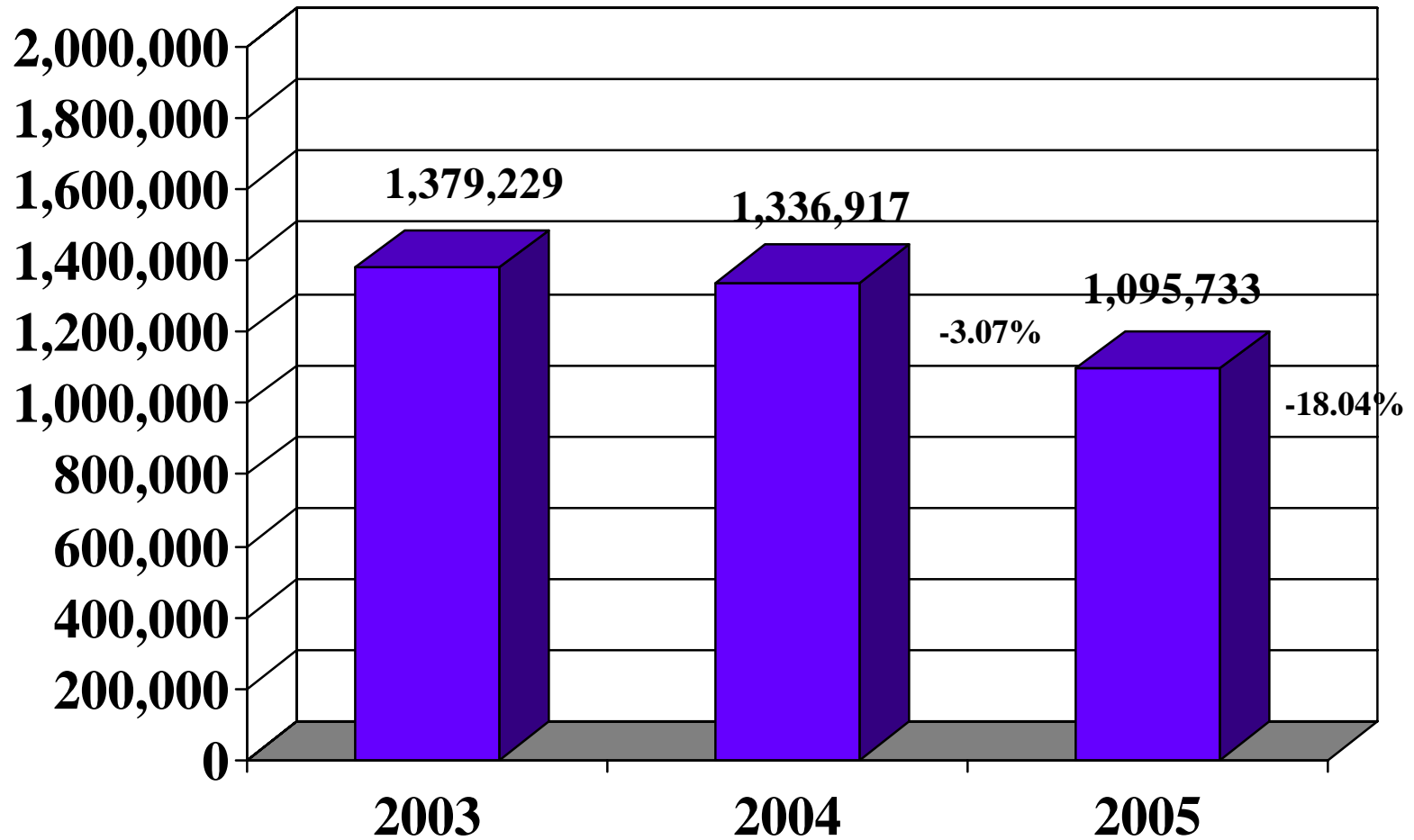
	<u>INVESTMENTS</u>	<u>% OF TOTAL</u>	<u>INTEREST</u>
CD	\$ 252,000	0.17	
FHLB	40,556,920	28.02	
FHLMC	22,798,632	15.75	
FNMA	32,144,460	22.21	
Money Mkt. -Bond proceeds	21,195,395	14.64	
NCCMT-Bond proceeds	27,104,191	18.73	
NCCMT	691,218	0.48	
TOTALS	\$ 144,742,816	100.00	\$ 2,773,588

Restricted Intergovernmental Revenues



**Restricted (State & Federal); Increases in LME (\$3.7m),
Child Daycare (\$650k), Smart Start (\$350k)**

Unrestricted Intergovernmental Revenues

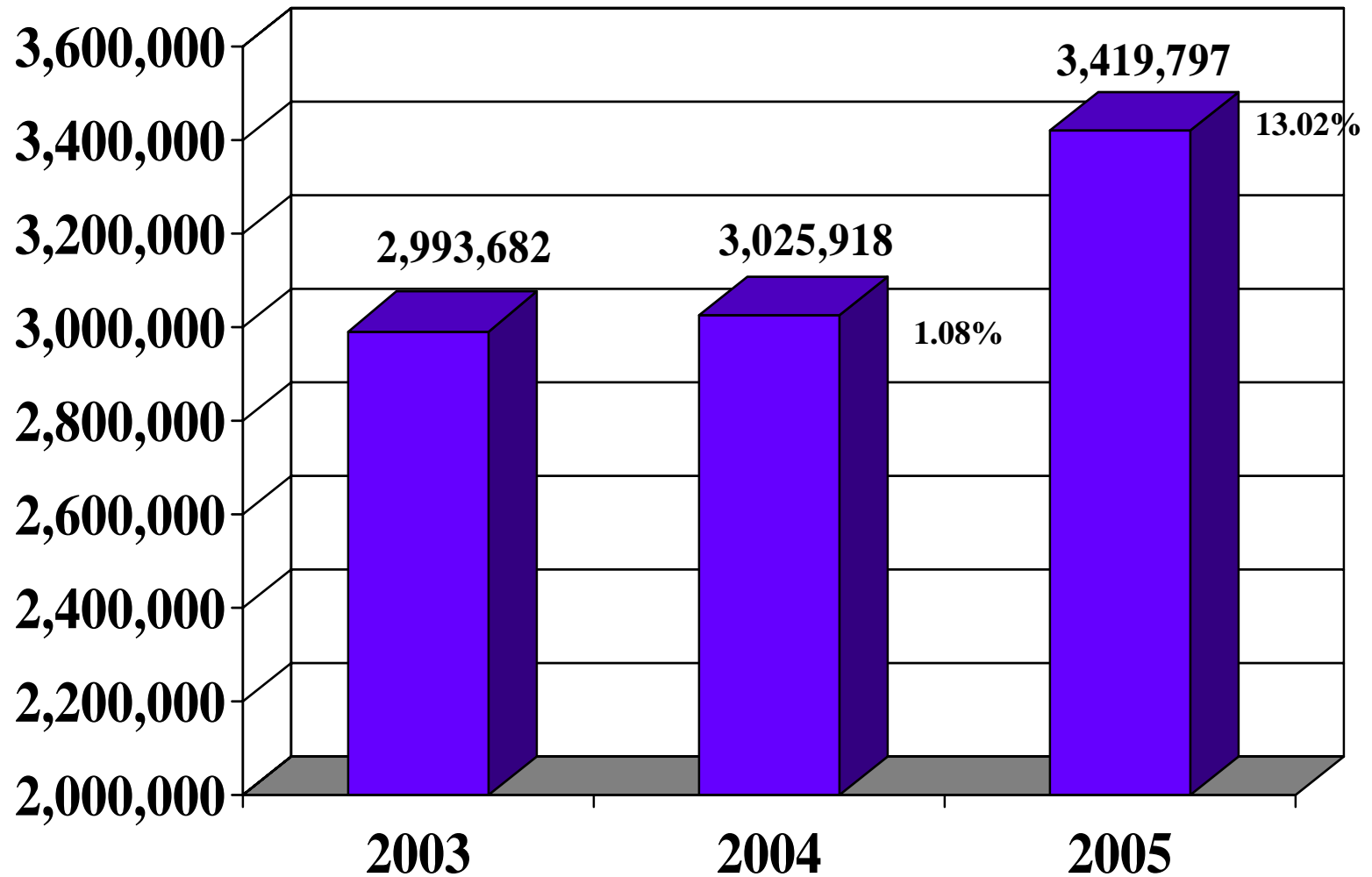


Unrestricted Intergovernmental Revenues

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Beer and Wine Taxes	329,229	336,917	345,733
ABC Board Distribution	1,050,000	1,000,000	750,000
Totals	<u>1,379,229</u>	<u>1,336,917</u>	<u>1,095,733</u>

- **Total revenues decreased by \$241,184, or 18.04%**
- ABC Board profits decreased due to opening of two new stores last fiscal year.

Other Revenues

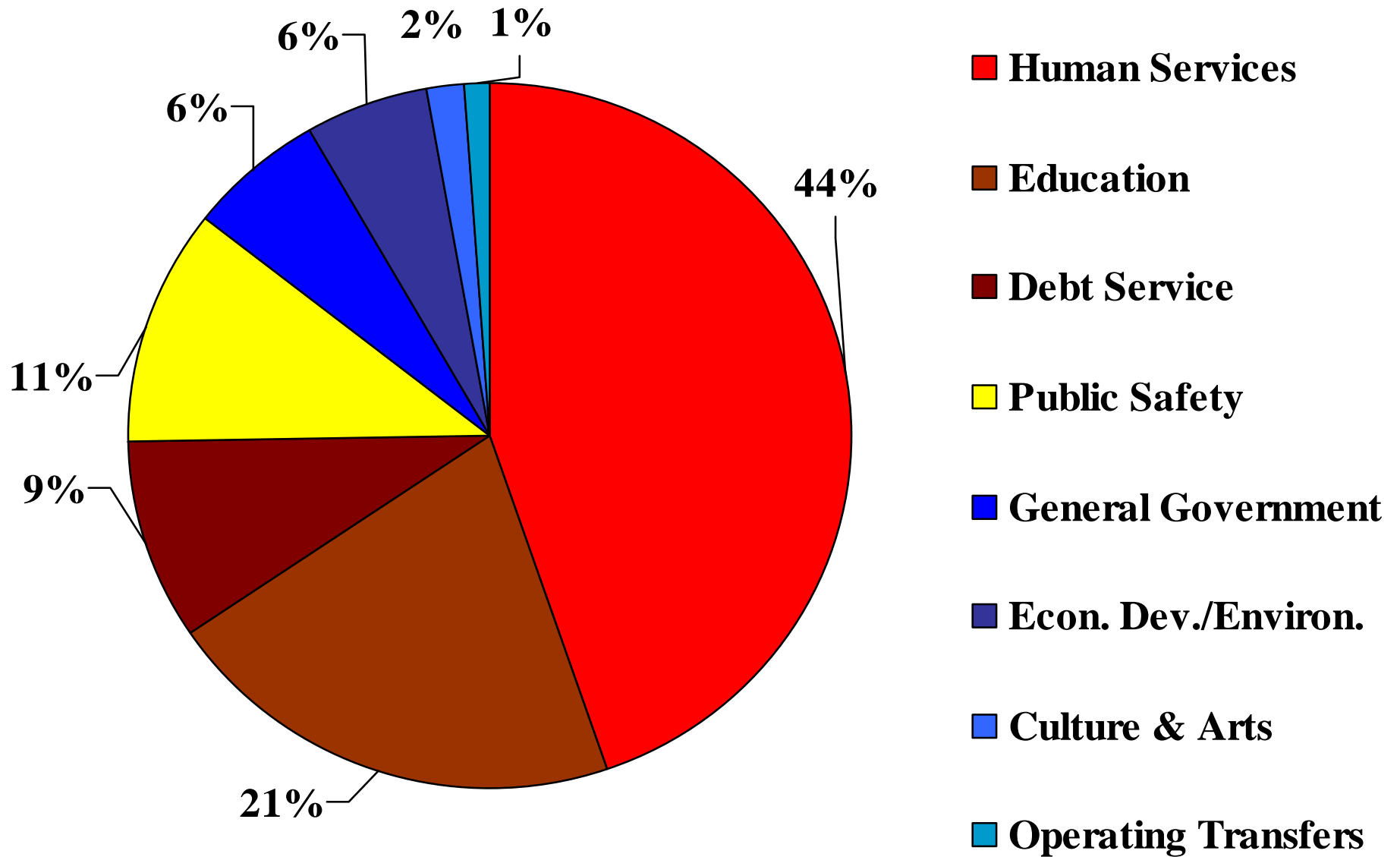


Other Revenues

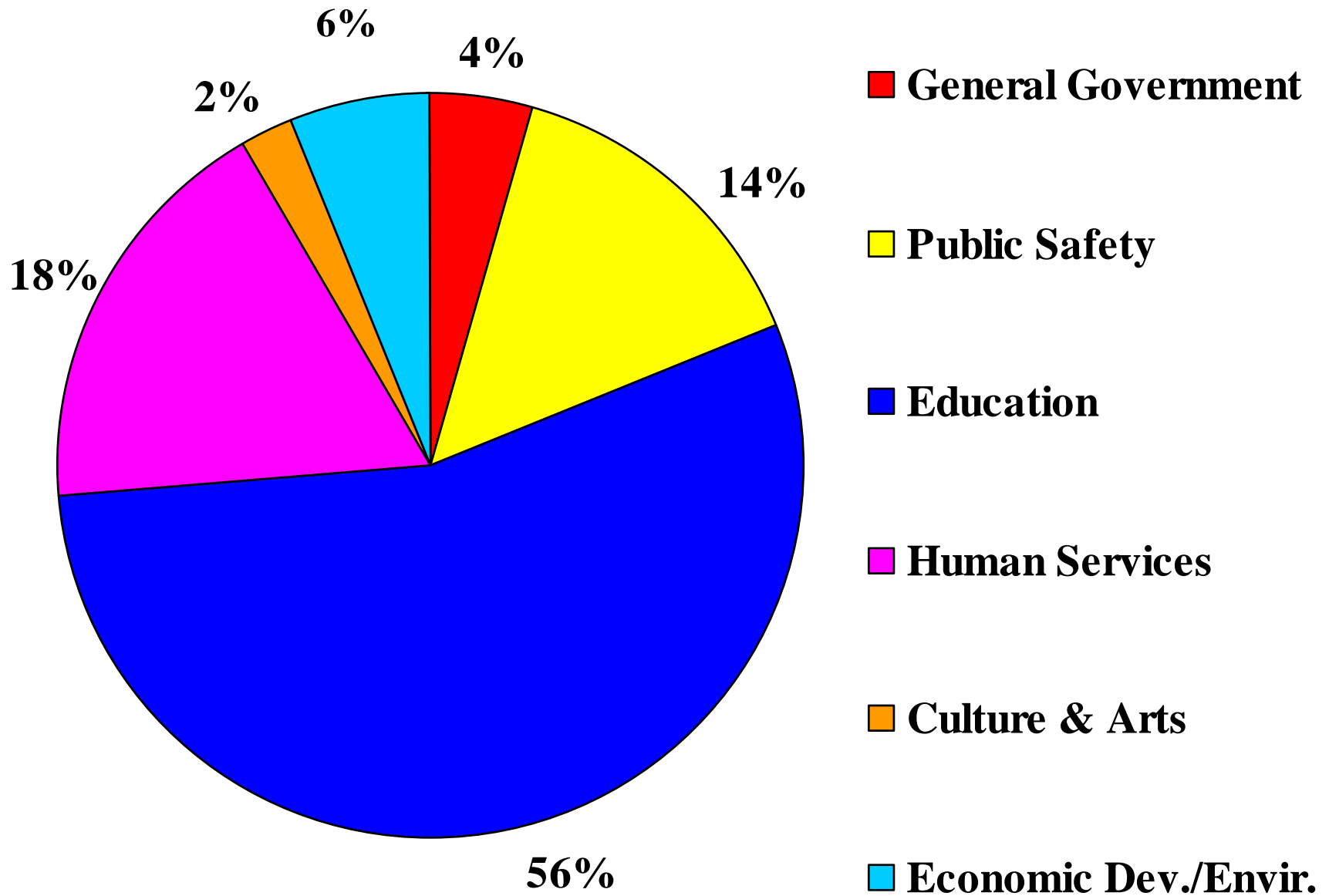
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Cable TV Franchise	573,326	577,509	573,138
Employee Health & Dental Premiums	1,205,631	1,388,568	1,428,191
Other	<u>1,214,725</u>	<u>1,059,841</u>	<u>1,418,468</u>
Totals	2,993,682	3,025,918	3,419,797

- Employee Health/Dental premiums increased 2.8%
- Other: One-time grants/donations & insurance settlements

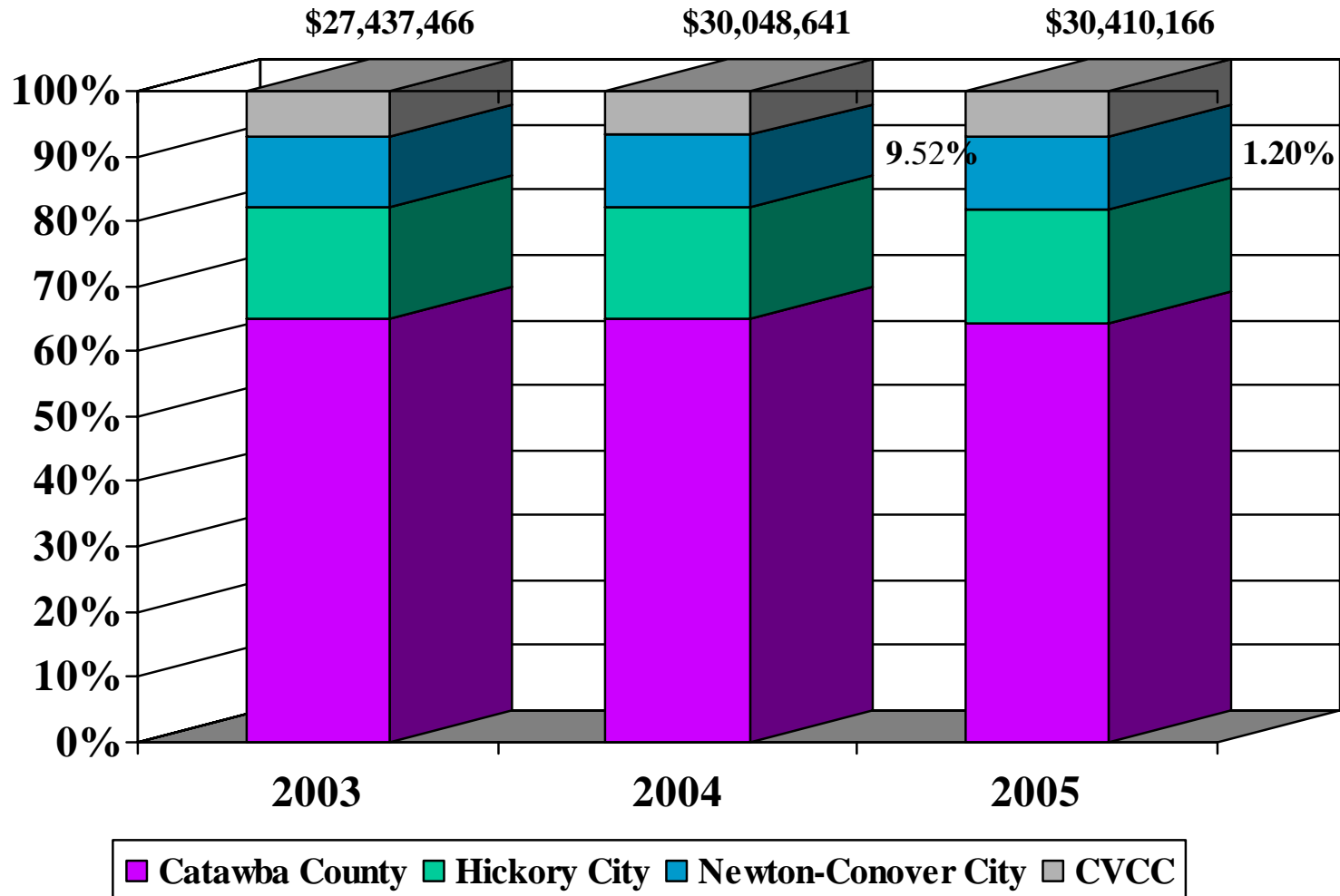
General Fund Expenditures



Where do the Local Tax Dollars Go?

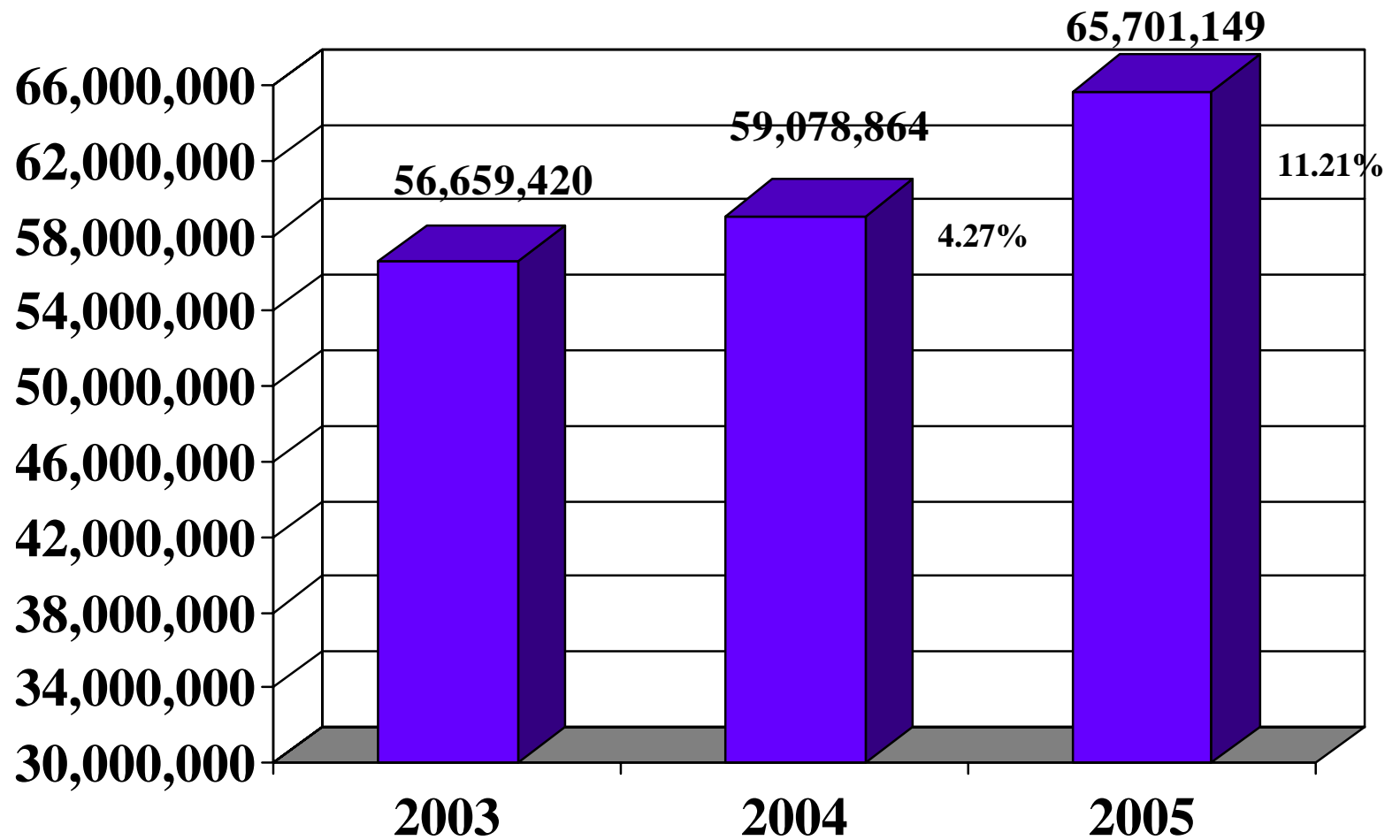


Education



Increase of \$728,829, or 2.55% to three School systems and CVCC in FY 05, decrease in fines and forfeitures of (\$367,304)

Human Services



Human Services

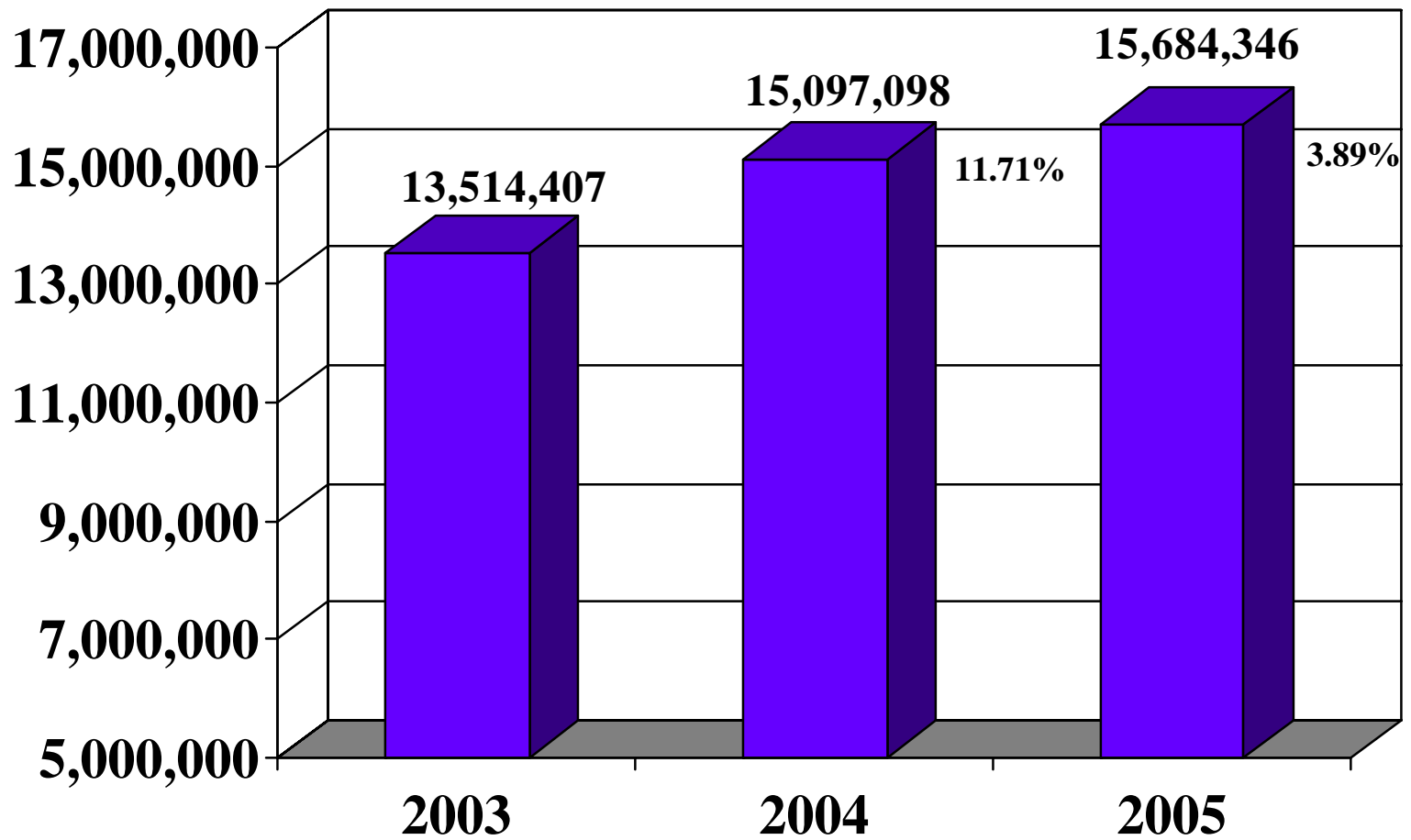
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Mental Health	14,875,160	15,710,967	16,665,758
Social Services	32,996,290	33,942,648	39,070,260
Public Health	8,787,970	9,425,249	9,965,131
Totals	<u>56,659,420</u>	<u>59,078,864</u>	<u>65,701,149</u>

•**Mental Health** – Mental Health reform statewide resulting in a major shift to a management and oversight agency, contracting with service providers to meet the needs of the community

•**Social Services** – added 41 positions to create Family N.E.T , which targets families and children in the areas of foster care, therapy and substance abuse; increased expenditures in Public Assistance (\$1m), Family N.E.T. (\$2.4m) and children’s services (\$650k)

•**Public Health** – increased expenditures in Home Health (\$150k), Maternal Health (\$200k) and school health nurse initiative (\$100k)

Public Safety

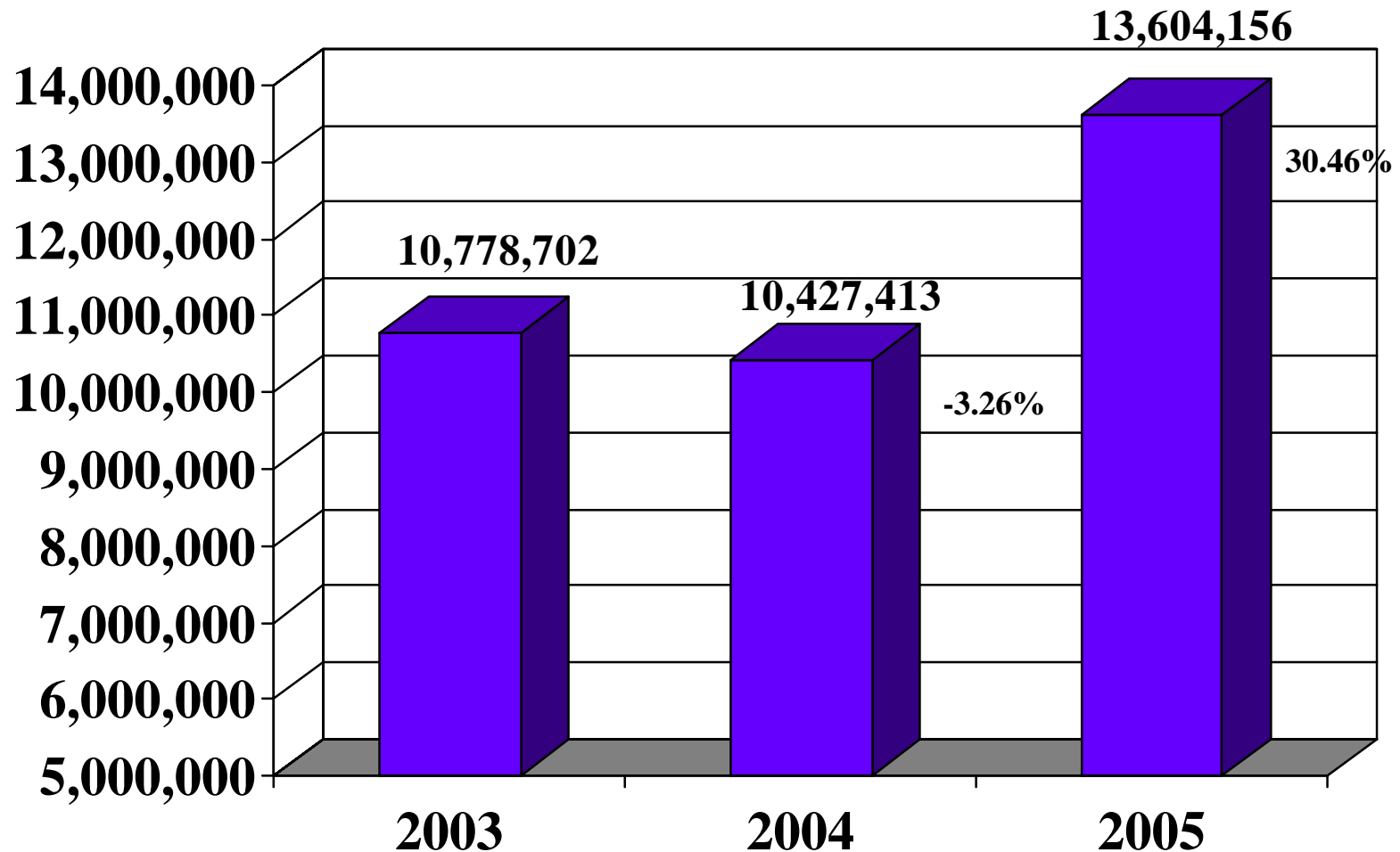


Public Safety

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Sheriff	7,304,293	7,669,437	7,993,855
Emergency Services	5,162,233	6,256,865	6,512,620
Communication Center	1,047,881	1,170,796	1,177,871
Totals	<u>13,514,407</u>	<u>15,097,098</u>	<u>15,684,346</u>

- Sheriff's department - Addition of civil process officer, sexual abuse investigator and five school resource officers
- Emergency Services - Addition of animal shelter staff and replacement of two ambulances, two EMS Quick Response Vehicles and a Fire Marshal vehicle

Debt Service



- Increase due to Maiden high, CVCC and Grandview debt payments
- 99.5% of county debt was spent for school/community college improvements in FY 2004-05

Legal Debt Margin

June 30, 2005

Assessed Value – January 1, 2004	<u>\$12,942,756,938</u>
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Debt Limit – eight percent(8%) of assessed value	\$1,035,420,555
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Total Bonded Debt	\$49,340,000
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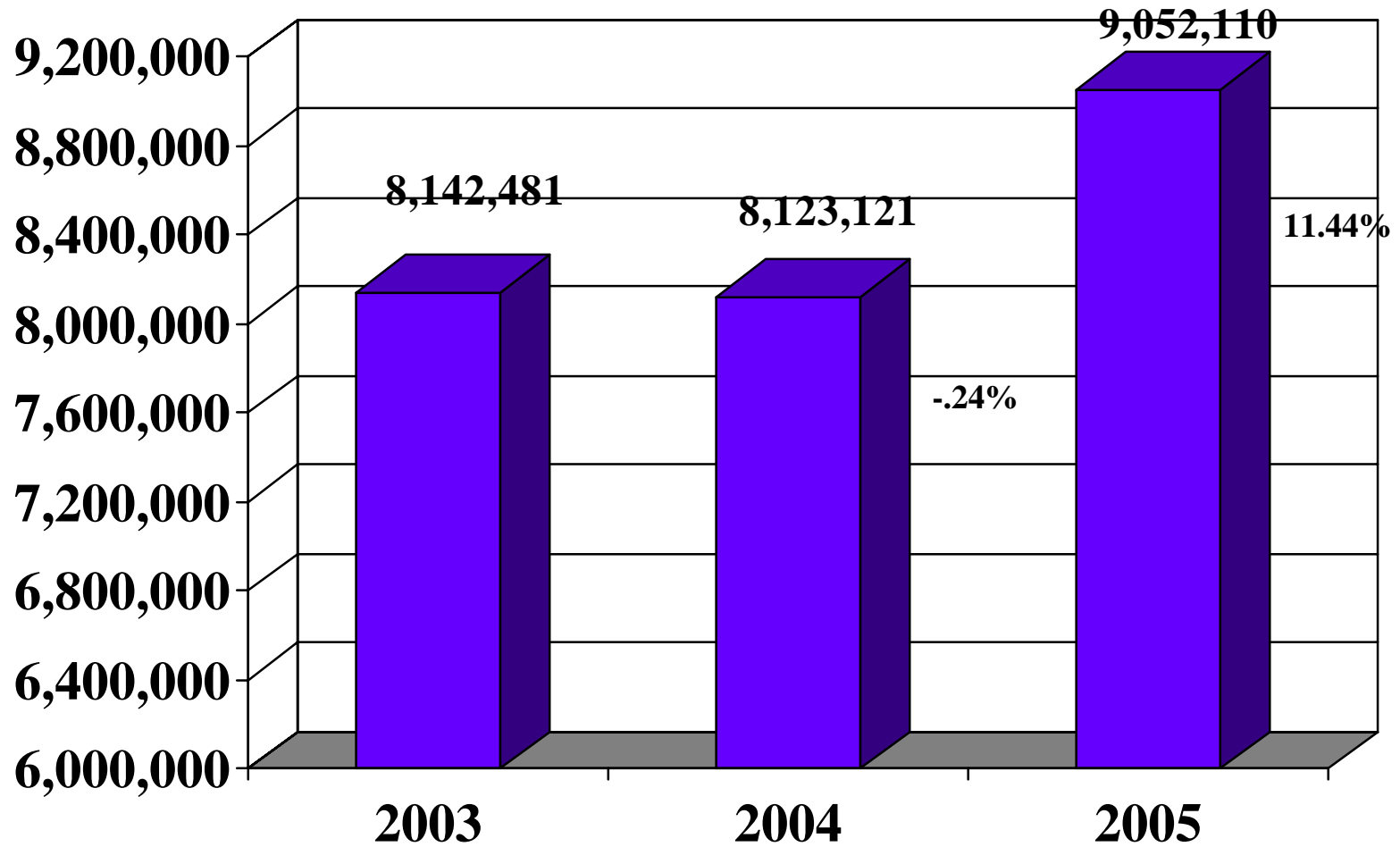
Other Debt	<u>\$63,045,000</u>
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	\$112,385,000
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Total applicable to debt limit	<u>(112,385,000)</u>
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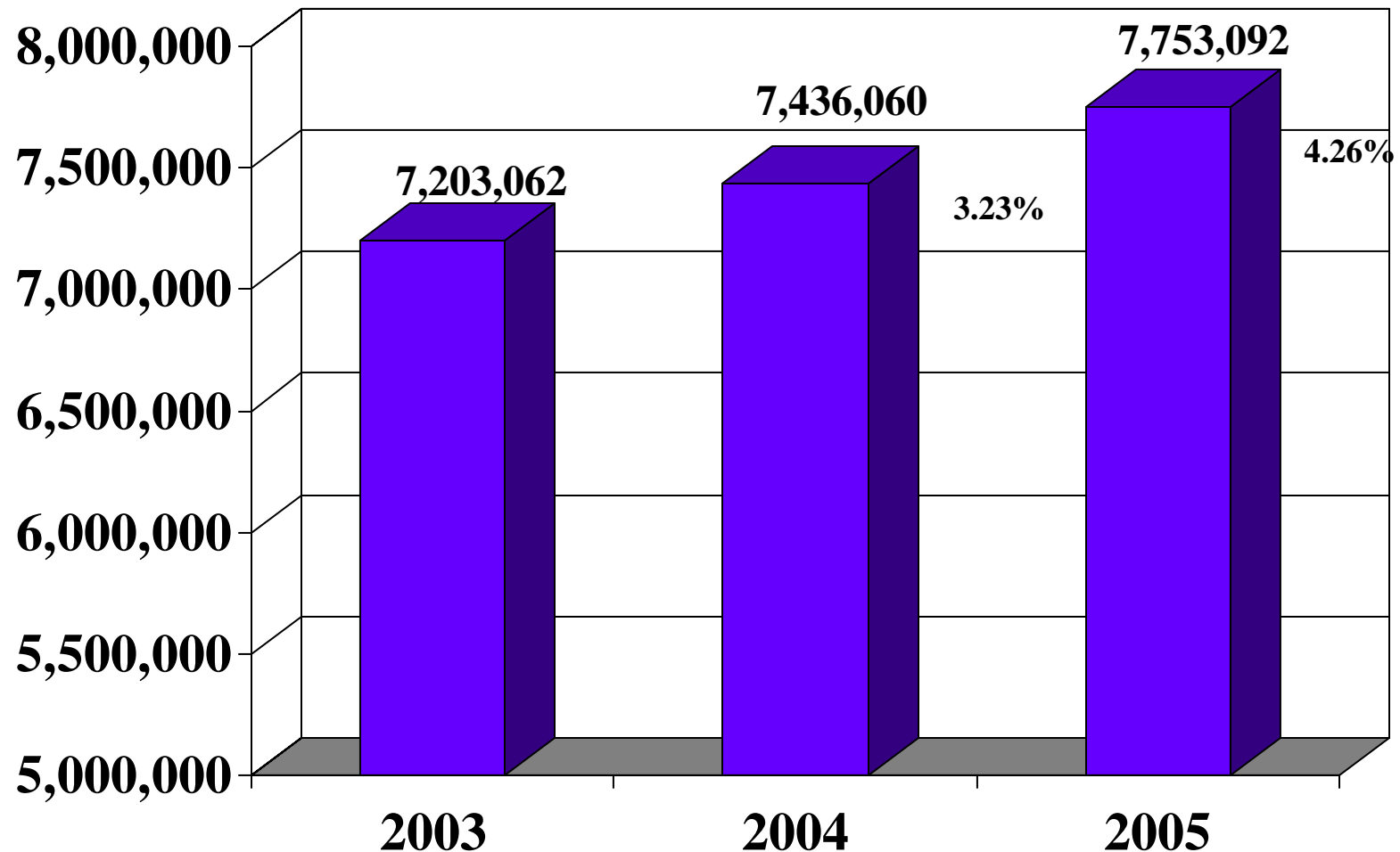
Legal Debt Margin	\$923,035,555
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General Government



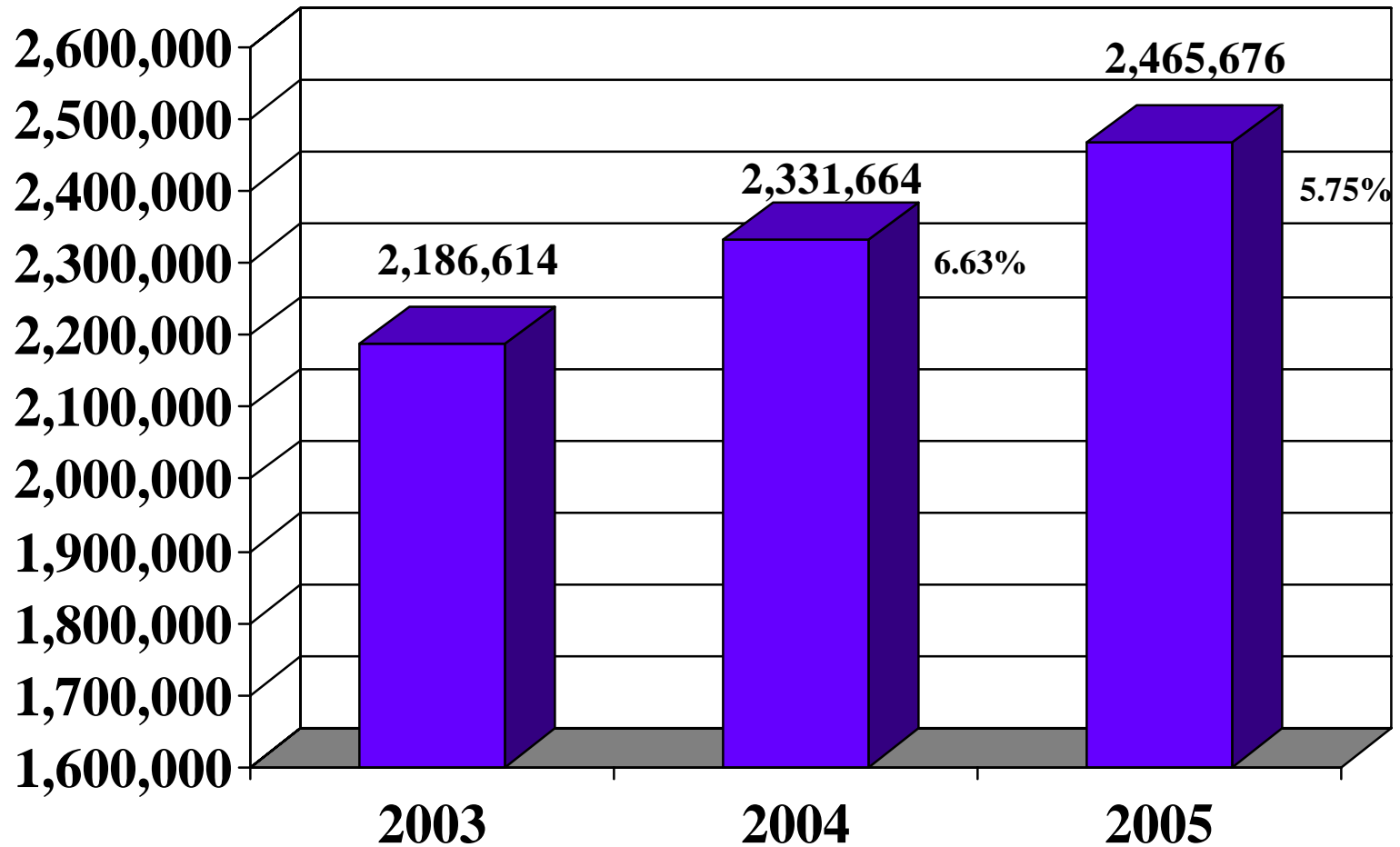
- Insurance - (health, dental, property) increased \$250k, or 8.3%
- Nov.2004 general election - \$207k, Tax refunds/lockbox - \$140k

Economic & Physical Development



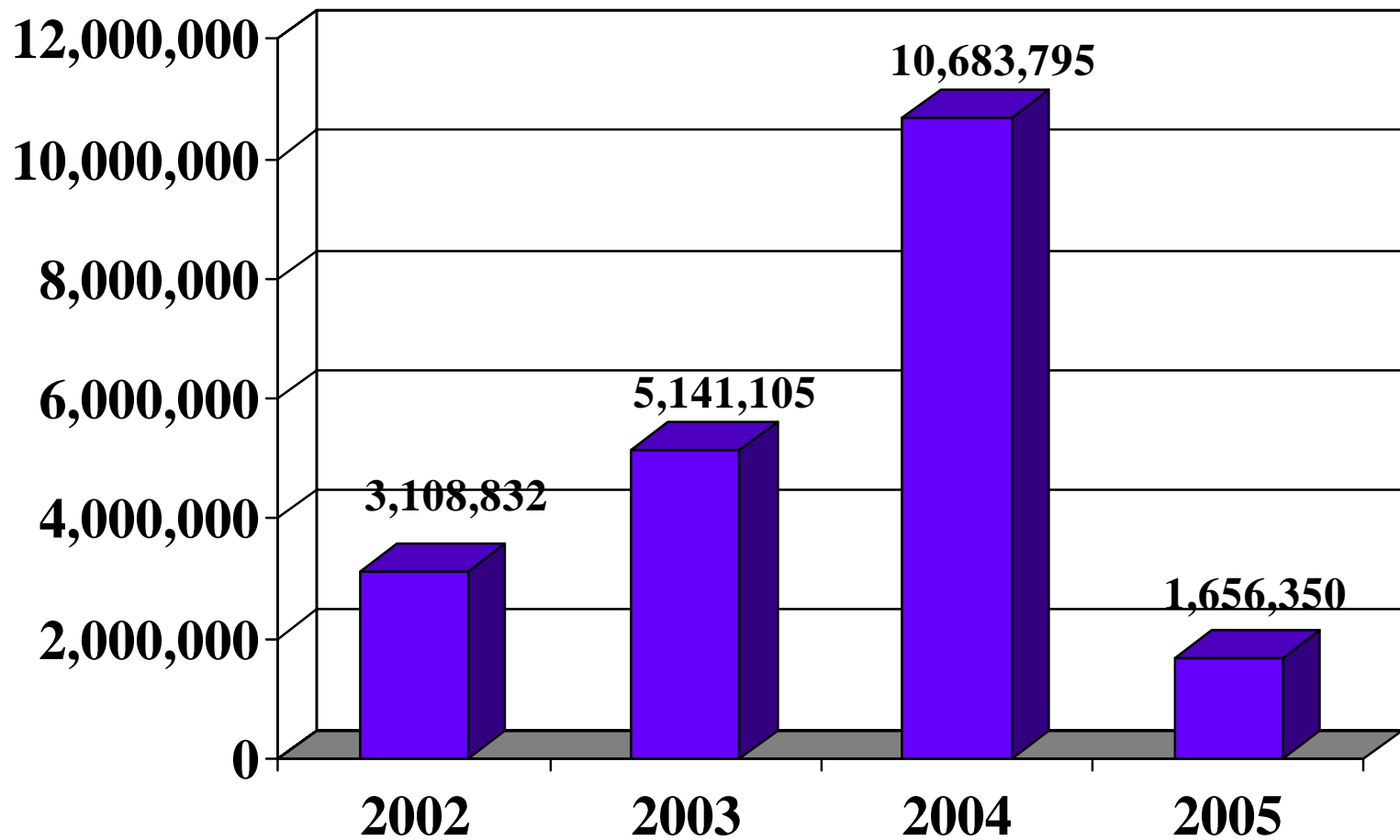
- U&E – addition of stormwater/erosion control program
- Economic development incentives, marketing, non-mfg. specialist

Culture & Arts



- Increased hours/staffing at Conover & Claremont libraries

Operating Transfers

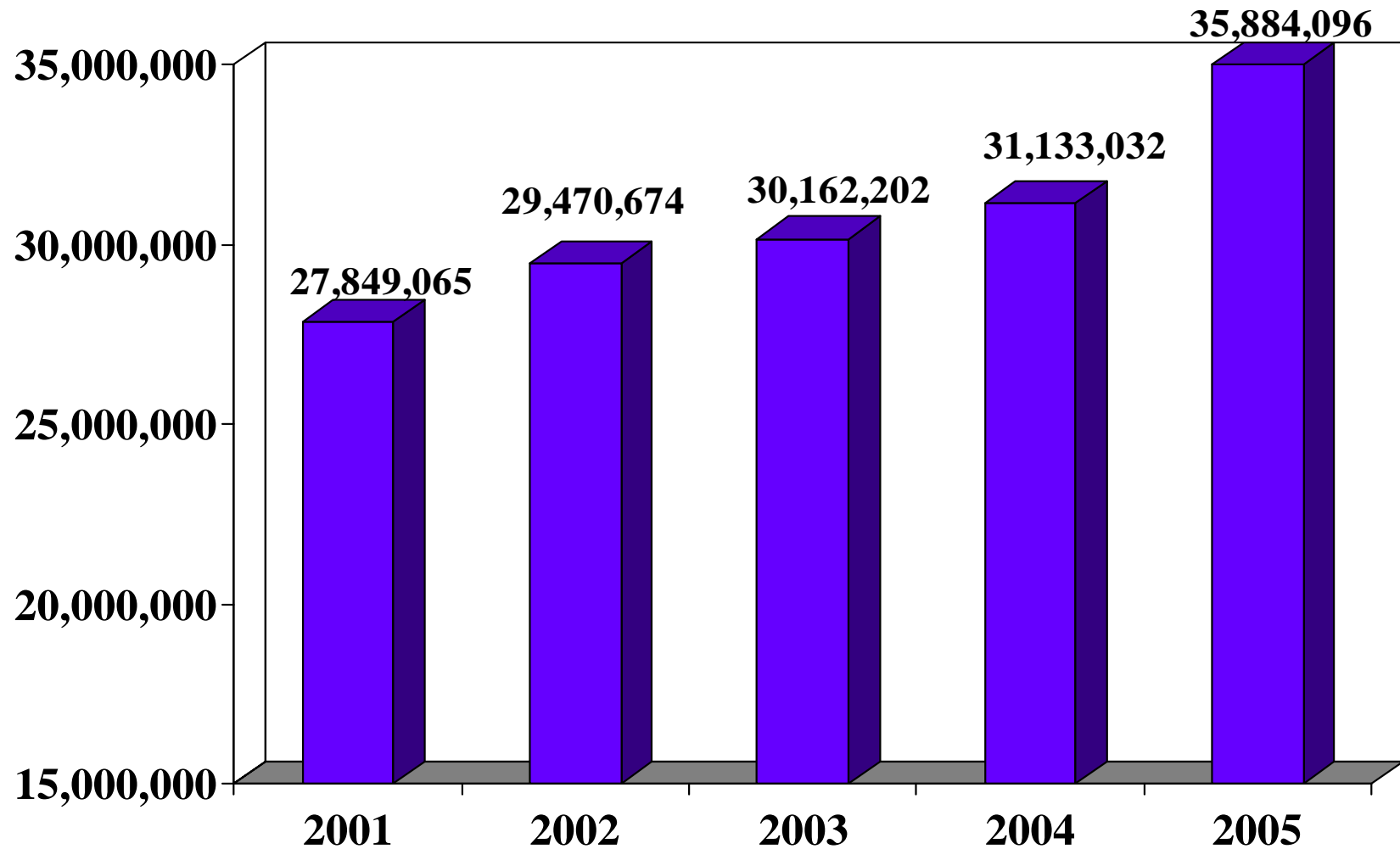


Operating Transfers

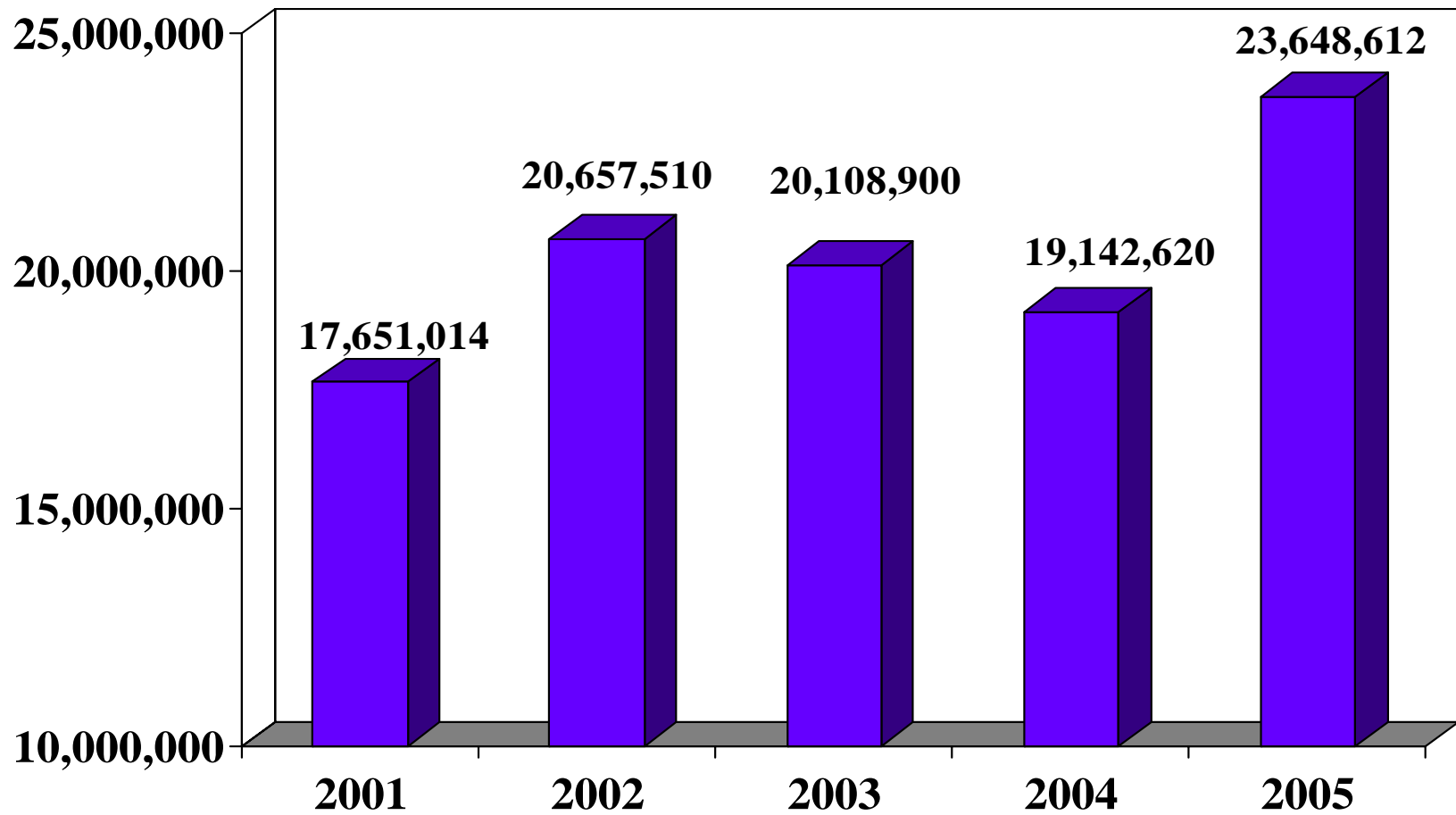
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Reappraisal Fund	334,666	333,476	384,324
Rescue Squads	614,226	711,653	725,886
General Capital Reserve	-	350,000	-
General Capital Projects	1,513,800	2,887,805	1,443,317
Water & Sewer Construction	2,800,000	1,950,000	1,950,000
School Construction Fund	-	4,523,503	(2,447,430)
Schools' Capital Projects	60,000	31,711	-
Transfers-In	(181,587)	(104,353)	(399,747)
	<hr/>	<hr/>	<hr/>
Totals	5,141,405	10,683,795	(1,656,350)

- General Capital funding consists of: ½ cent on the tax rate towards expansion of the Newton Jail, radio frequency upgrade and payment towards a new dental clinic.
- Transferred funds from School Construction Fund for debt payments on school projects (Maiden High, CVCC & Grandview)

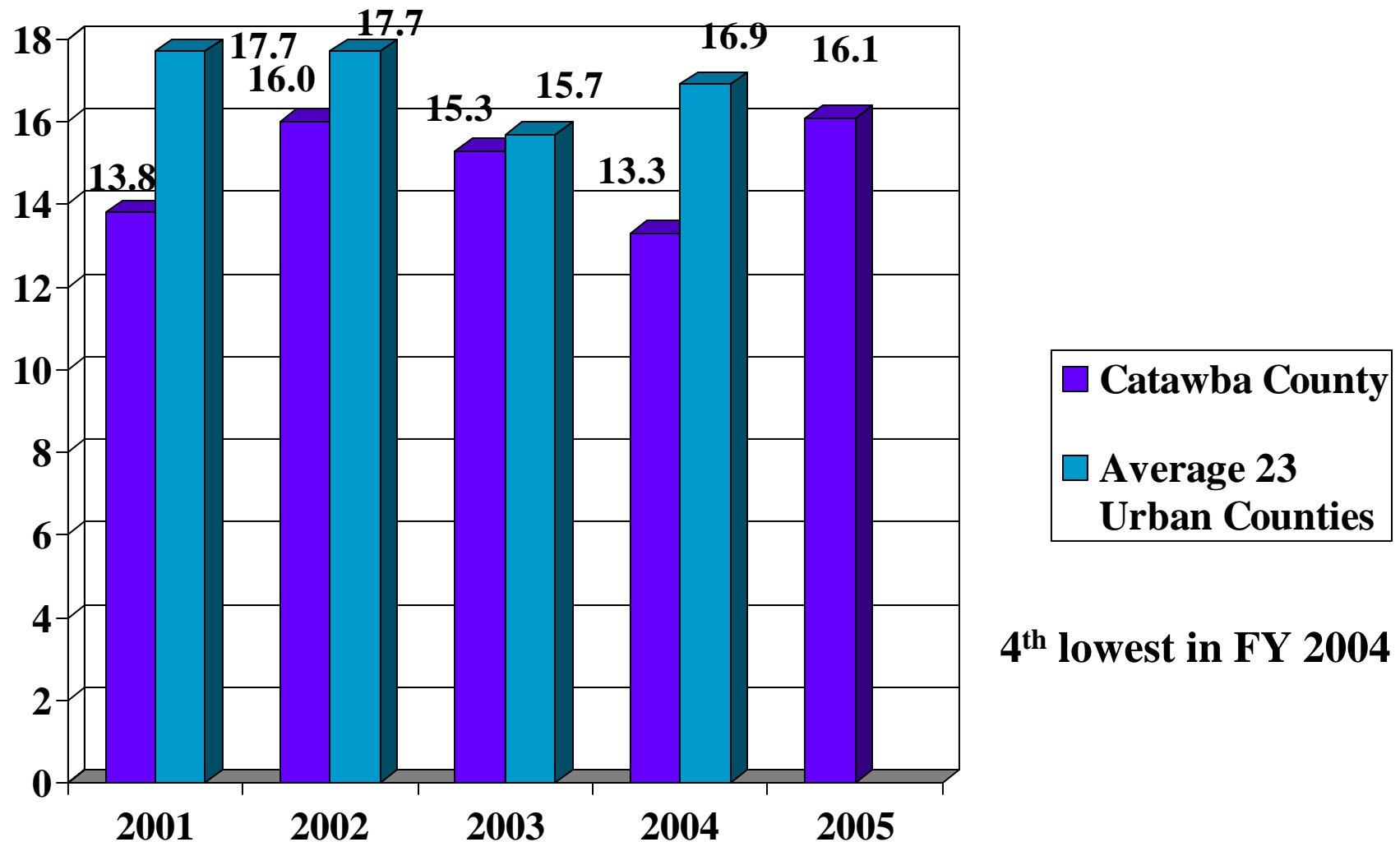
Total Fund Balance



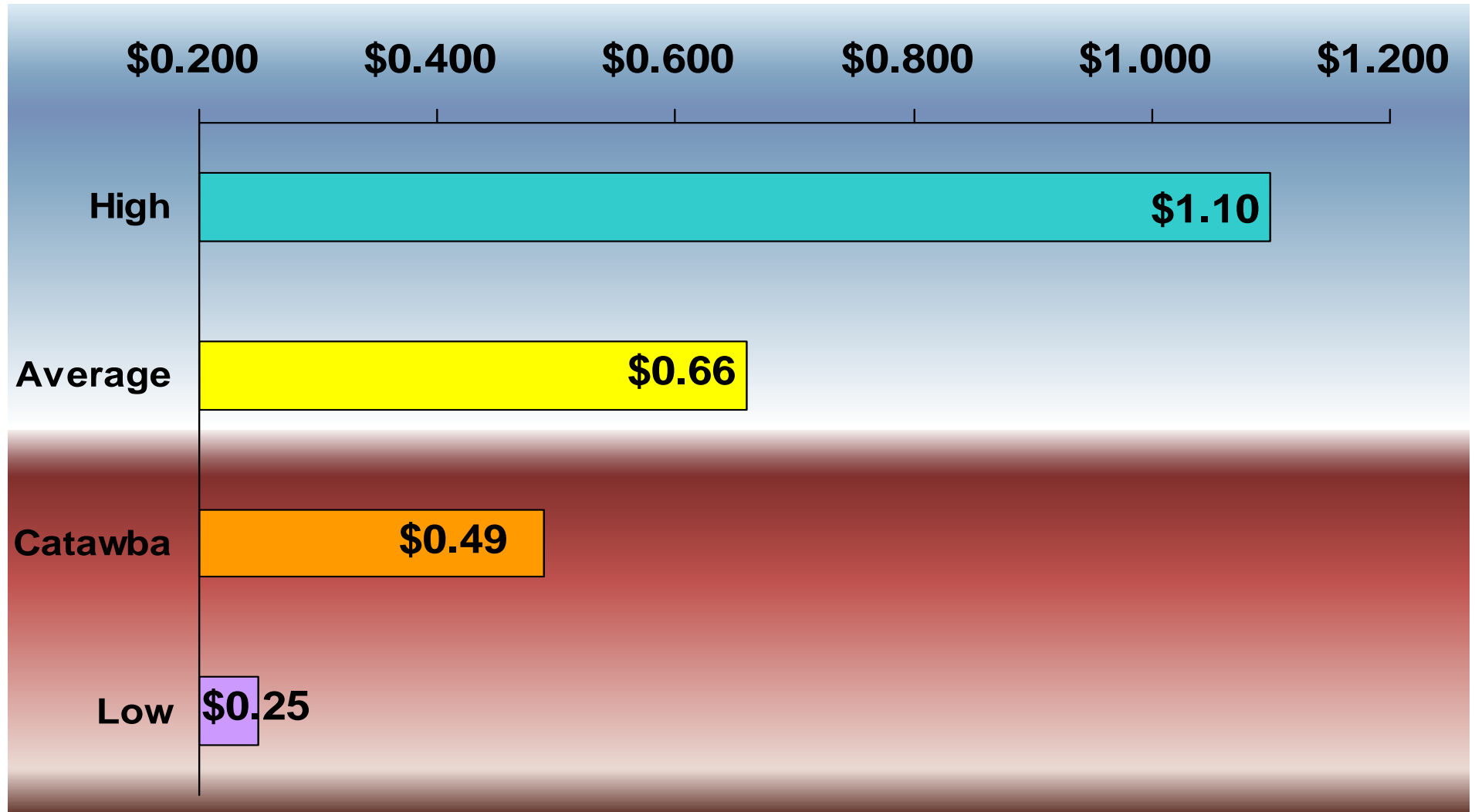
Available Fund Balance



Fund Balance % of General Fund Expenditures



2005-06 Tax Rate NC Counties



2nd Lowest among 23 Urban (>100,000 population) Counties
11th Lowest out of 100 Counties in NC